



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Voluntary Report - public distribution

Date: 1/22/2003

GAIN Report #SN3003

Singapore

Product Brief

Non-Alcoholic Beverages

2003

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Report Highlights:

The Singapore market for non-alcoholic beverages is very fragmented. Just over fifty percent of the non-alcoholic beverages are manufactured in Singapore with the rest imported from a large number of countries. The U.S. is a leading supplier of grapefruit, tomato and mixed fruit juices. Well-known brands dominate in the market segment for locally manufactured drinks.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Kuala Lumpur[MY1], SN

1. Singapore in profile

Singapore (population of 4.1 million) is one of the most affluent nations in Asia with a GDP per-capita of about US\$20,732 today. About 22% of the population are aged 15 years and below, which represents a sizeable pool of future consumers who will be an important driver for increased consumption of imported food and beverages in future. Over 76% of its population make up the middle to upper income group of consumers, all of whom lead an urban lifestyle and represent the bulk of the market for imported food and beverages today.

Singapore's economy is based mainly on its strong export manufacturing and financial and business service sectors. Prior to the Asian economic downturn of 1997/1998, its economy had been growing in excess of 8% per annum. In 2001, Singapore's GDP contracted by 2.0%, largely due to the contraction in the manufacturing sector which was negatively impacted by global recession, particularly the downturn in demand from the technology sector in 2001.

On a positive note, the government forecasts Singapore's economy to grow by around 2.5 % in 2002 based on expectations of modest recovery in exports of electronics to the key world economies such as the USA and Japan. Most economists forecast Singapore's economic growth for 2003 to improve to around 4% based on their expectation of a continued recovery in global trade.

2. Singapore's importance as a regional distribution hub

Singapore is generally recognised as Southeast Asia's main distribution hub. The facilities offered by its highly efficient airport and seaport have encouraged a large number of businesses, including food manufacturers and ingredient suppliers, to base their operations in Singapore to serve their regional markets.

In 2001, US\$ 1.1 billion of food and beverages were re-exported from Singapore to various countries in the world. Of this, around 35% were shipped to ASEAN countries, with Malaysia being the main destination.

About 10% of imported non-alcoholic beverages are re-exported to as many as 48 different countries worldwide. Re-exports to neighbouring ASEAN countries form significant proportions, as much as 37% for some product segments, of the re-export trade out of Singapore. More details on this matter are provided in the next chapter to this report.

3. Singapore's non-alcoholic beverages market

Singapore's market for non-alcoholic beverages is supplied by both locally manufactured products and by imports. A high percentage of these products are imported.

3.1 Market size

The market is made up of around US\$123 million in imports of non-alcoholic beverages and US\$ 157 million of local production of non-alcoholic beverages. Around 12% of the locally manufactured non-alcoholic beverages are directly exported to overseas markets.

Singapore's non-alcoholic beverage is divided into segments which cover:

- a. Fruit and vegetable juices, mainly fruit juices.
- b. Asian flavoured drinks, mainly upgraded versions of traditional products.
- c. Internationally branded and foreign drinks.
- d. Mineral and other bottled waters.

3.2 Imports

The Table below provides the total imports of non-alcoholic beverages from 1997 to 2001.

Non-Alcoholic Beverages Imports ('000 Litres)					
	1997	1998	1999	2000	2001
Single fruit or vegetable juice	34,370	30,899	27,024	29,492	35,785
Mixed fruit or vegetable juices	3,219	2,567	3,778	4,080	5,841
Other flavoured beverages	98,969	24,918	29,384	41,235	40,051
Flavoured non-carbonated beverages, including Asian drinks	47,133	37,736	47,322	63,987	97,980
Mineral & carbonated waters	40,661	46,769	42,495	51,304	70,334
Total ('000 Litres)	224,352	142,889	150,003	190,097	249,991
Total (US\$ million)	93.9	82.9	84.0	101.9	122.6
% change in imports ('000 Litres)	54%	- 36%	5%	27%	32%
Source: Department of Statistics					

Singapore has experienced a dramatic upturn in imports since 1999 because local beverage manufacturers are in the process of relocating their production to Malaysia, which is a lower cost location for beverage production.

The top 3 major supply countries in 2001 are shown by the Table below.

Major Supply Countries and Their Import Market Shares (2001)	
Orange juice	Brazil (25%), Malaysia (23%), South Korea (10%).
Grapefruit juice	USA (34%), Cyprus (19%), Belgium (10%).
Juices of other citrus fruits	Malaysia (51%), USA (21%), Taiwan (6%).
Pineapple juice	Malaysia (68%), Vietnam (6%), Cyprus (6%)
Tomato juice	USA (47%), Spain (20%), Australia (13%).
Blackcurrant juice	Malaysia (98%), Germany (1%).
Other fruit or vegetable juice	Malaysia (32%), USA (13%), Thailand (10%).
Mixed fruit or vegetable juices	USA (33%), Australia (21%), Malaysia (16%).
Other flavoured beverages	Malaysia (48%), Taiwan (5%), Myanmar (9%).
Flavoured non-carbonated beverages, incl. Asian drinks	Malaysia (71%), China (9%), Taiwan (7%).
Mineral & carbonated waters, not sweetened or flavoured	Malaysia (81%), France (9%), Belgium (3%).
Mineral & carbonated waters, flavoured	Malaysia (51%), China (18%), Thailand (13%).
Source: Department of Statistics	

A large number of countries supply non-alcoholic beverages to Singapore. In 2001, there were 38 countries supplying fruit and vegetable juices, 35 countries supplying flavoured drinks and 34 countries supplying mineral and other waters to Singapore.

The USA is one of the major suppliers of non-alcoholic beverages to Singapore, with the following market positions and market shares:

- Leading supplier for tomato juice (47%), grapefruit juice (34%) and mixed fruit or vegetable juices (33%);
- Second largest supplier for other citrus fruit juices (21%) and other fruit or vegetable juices (13%); and
- Fourth largest supplier for orange juice (9%),

Its major competitors for non-alcoholic beverages are:

- Malaysia (orange juice, other citrus fruit juices, pineapple juice, blackcurrant juice, other fruit or vegetable juices, mixed fruit or vegetable juices, other flavoured drinks,

- flavoured non-carbonated drinks, mineral and other waters).
- Australia (tomato juice and mixed fruit or vegetable juices).
- Brazil (orange juice).
- France (mineral water).
- South Korea (orange juice).
- Cyprus (grapefruit and pineapple juice).

The USA is not a major supplier of the following products:

- Pineapple and blackcurrant juice.
- Non-carbonated flavoured drinks.
- Mineral and other waters.

3.3 Re-exports

The Table below provides the total re-exports of non-alcoholic beverages from Singapore for the five years from 1998 to 2001.

Non-Alcoholic Beverages Re-Exports ('000 Litres)					
	1997	1998	1999	2000	2001
Single fruit or vegetable juice	5,722	5,502	11,428	11,166	11,457
Mixed fruit or vegetable juices	501	317	241	294	596
Other flavoured beverages	1,181	1,403	2,687	1,754	1,445
Flavoured non-carbonated beverages, incl. Asian drinks	4,602	4,175	4,243	5,298	6,949
Mineral and carbonated waters	4,906	3,919	2,796	3,413	3,171
Total ('000 Litres)	16,912	15,316	21,395	21,925	23,618
Total (US\$ million)	13.3	14.0	19.2	18.9	19.2
% change in re-exports (Litres)	6%	9%	40%	- 2%	6%
Source: Department of Statistics					

Singapore re-exports fruit and vegetable juices to 45 different countries, flavoured drinks to 41 different countries and mineral and other waters to 26 different countries. Re-exports to ASEAN countries formed large proportions of total re-exports quantities in 1998, as shown below:

- Fruit and vegetable juices: 51% (Major re-export markets in ASEAN are Malaysia, Brunei and Cambodia).
- Flavoured drinks: 45% (Major re-export markets in ASEAN are Malaysia,

Cambodia, Brunei, Myanmar and Thailand).

- Mineral and other waters : 4% (Major re-export markets in ASEAN are Malaysia and Thailand).

3.4 Local production

The Table below provides the total value of local non-alcoholic beverage production for the five years from 1996 to 2000. At the time of writing, the statistics for 2001 has not yet been released by the government.

Local Production of Non-Alcoholic Beverages (Sales : US\$ million)					
	1996	1997	1998	1999	2000
Soft drinks, carbonated waters, cordials, syrups	165.4	175.2	178.5	157.5	157.0
Note: Production quantity measured by volume is not provided by the government. Source: Economic Development Board					

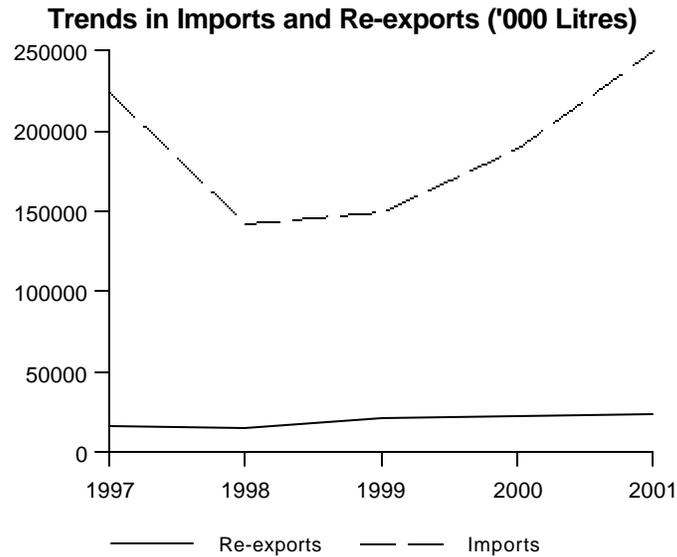
In 2000, eight local businesses were involved in the manufacture of non-alcoholic beverages with total sales valued at US\$ 157.0 million. According to the Economic Development Board, these companies are involved in both the local and export markets. The Table above shows that sales of locally manufactured of non-alcoholic beverages has remained around US\$ 165 million over the five year period to 2000.

Some of these companies are large brand-driven businesses with household brands, e.g. F&N/Coca Cola and Pepsi/Yeo Hiap Seng. A number of these companies have relocated a large part of their manufacturing operations to Malaysia, where operating costs are lower. Some have contract manufacturing operations in China, particularly for traditional Asian drinks. In such cases, they import their branded products into Singapore. Local beverage companies are now Singapore's largest importers of non-alcoholic beverages.

Export markets only formed around 12% of total sales for the local manufacturers. In 2000, US\$ 19 million of locally manufactured products were directly exported to overseas markets.

3.5 Growth prospects

The Chart below shows the trends in imports and re-exports of non-alcoholic beverages over the five years to 2001.



The Chart above highlights the fall in demand that occurred during Singapore's economic crisis which occurred at the same time as the Asian economic slowdown of the late 1990s. Imports of non-alcoholic beverages rebounded in 2000 and 2001 as a result of three factors:

- The relocation of beverage production by local manufacturers such as Fraser & Neave, F&N Coca-Cola and Yeo Hiap Seng to Malaysia. This new trade involves mainly non-carbonated products, especially Asian drinks.
- Improved consumer confidence in 2000 and 2001, which underpinned increased demand for fruit juices, bottled water, ready to drink coffee and other drinks from Asia and the Developed World, e.g. the USA.

Trade sources comment that the future market is likely to show overall growth of up to 5% over the next three years under conditions where Singapore's future economic growth remains at low rates, although certain market segments may achieve higher growth. They added that:

- Future prospects for fruit juices still remain good with a forecast growth of up to 5% per annum, as consumers continue to be increasingly more health conscious.
- Estimated growth for mineral water is at 5% per annum although some trade sources indicate that future growth may be higher (of up to 10% per annum) due to the impending introduction of recycled water into the household tap water system commencing in 2003.
- Canned or bottled chilled and ready-to-drink coffee or tea is estimated to grow at above 5% per annum.
- No real future prospects exist for sports drinks, energy drinks or functional drinks as Singaporeans remain unattracted by these drinks. This has remained a niche market dominated by a very small number of brands.
- Demand for soft drinks and sweetened juice drinks is declining. No opportunity for growth exist in these segments as consumers are switching to the above beverages.

The Chart above also indicates that re-export trade has remained at around the same level over the past five years to 2001, forming a small proportion of imports. However, trade sources comment that opportunities exist for re-export of non-alcoholic beverages to the ASEAN countries such as Malaysia, Brunei, Indonesia (if social and economic situation stabilises), Cambodia, the Philippines and Vietnam, especially Ho Chi Minh City (Saigon).

US exporters intending to explore the opportunities highlighted above are advised to perform detailed market research in these markets to better understand the market characteristics and identify in more detail the opportunities for their products types.

4. Consumer tastes and preference

Non-alcoholic beverages are very important in Singapore. Most adults, especially women, are not big consumers of alcoholic beverages such as beer and wine. The traditional drink of Singaporeans, especially the ethnic Chinese, is Chinese tea. Coffee is a traditionally popular breakfast drink. Other traditional Asian beverages, e.g. soybean milk, chrysanthemum tea are also important beverages. Children commonly consume Asian beverages, carbonated soft drinks or cordials. When a Singaporean is thirsty, the first thirst quenching drink he usually reaches for is water, usually boiled and cooled or straight from the tap, usually filtered.

Consumer tastes and preference for the wide variety of non-alcoholic beverages available in the market differ, depending on the occasion that calls for a drink. The following demand traits exist in this market:

- Trade sources comment that price, quality, taste and brand are important purchasing factors affecting the consumers in the non-alcoholic beverage market. They added that access to shelf

space and food service menus/drinks lists, in-store promotions and advertising have an impact on their choice of purchase.

- Carbonated soft drinks and cordials are well entrenched in local beverage culture. While there is evidence that consumption of cordials has been declining since the early 1990s and carbonates are stagnant or in decline, these beverages still represent the bulk of consumption today. These beverages are very widely distributed, have well known brands/flavours, are low cost and are consumed at any time by almost anyone. Carbonated soft drinks are frequently served at wedding dinners and other celebratory occasions.
- Freshly squeezed fruit or vegetable juices have traditionally been readily available at food service outlets, especially drinks stalls operating in cooked food centres. They differ from pure juices because sugar syrup is commonly added. Ready-to-consume pure fruit juices are readily available from most retailers. While more are being consumed, these products still have a niche-type market which orientates around demand from middle to upper income groups, especially more health conscious shoppers and expatriates.
- Coffee and Chinese Tea are well entrenched in the local beverage culture. Canned coffee and canned tea were introduced into the market in the early 1990s. Consumers generally prefer freshly brewed coffee or tea to the canned variety because freshly prepared coffee or tea is readily available at low prices from cooked food centres and local coffee shops. High-end coffee shops, e.g. Starbucks and Coffee Bean, offering a wide variety of premium freshly brewed coffee now operate in Singapore. These outlets, which target middle to high income young adults, are popular with young Singaporeans, expatriate consumers and tourists.
- Mineral/bottled drinking water is well understood and readily consumed by Singaporeans. However, most of these products are purchased and consumed outside the home, e.g. on outings, at school, during sports events, at cooked food centres and alike. Currently, most local consumers see no value in buying bottled drinking water for home consumption when boiled water or filtered tap water is a cheaper alternative. Expatriate consumers are important targets for mineral water.
- Sports drinks, energy drinks and functional drinks were introduced into the market during the mid-to-late 1980s. These drinks are not well understood by Singaporeans. Only a small number of consumers have acquired a taste for these drinks.
- Asian drinks such as chrysanthemum tea, winter melon drink and alike, have been traditionally prepared at home and consumed on a regular basis for their perceived “health” values. Large quantities are consumed in cooked food centres.

Increasing disposable income amongst younger Singaporeans have increased the variety of drinks that are being consumed. This market trait is expected to continue developing in future, especially in the country’s food service channels.

5. Brief import requirements for non-alcoholic beverages

Singapore is virtually a free port. No import duty is imposed on non-alcoholic beverages. A Goods and Services Tax (GST) at the rate of 5% (3% prior to 31 December 2002) is imposed on the importation of goods into Singapore, calculated based on the CIF (Cost, Insurance, Freight) value in Singapore dollars.

Processed food and beverages can only be imported to Singapore by Singapore based businesses that have been registered by the Food Control Division (FCD) of the Agri-Food and Veterinary Authority (AVA) as approved to import a particular category or categories of products.

Import permits are required for every consignment of processed food and beverages that are imported. These permits are issued by the AVA and will only be issued to importers that are registered with the AVA's FCD.

When food enters Singapore, companies must submit the proper documentation to the Controller of Imports and Exports. An inward cargo manifest must be submitted to Customs within 24 hours of arrival of the carrier. All declarations are required to be submitted and approved electronically through the EDI network called the TradeNet System. Once the GST has been paid, the products are allowed to enter Singapore free of any condition unless they are in breach of Singapore's food regulations. The Singapore food regulations are embodied in the Sale of Food Act 1973 and The Food Regulations 1988 and subsequent amendments have been made via subsidiary legislation.

The food regulations cover minimum or permitted levels of a wide range of food additives in each food type, packaging, labelling requirements, sale by date and health claims by products.

The regulations are strictly applied and enforced to maintain the highest possible quality for food to ensure the safety of its Singapore residents. The Singapore government's policy is to keep its food regulations up-to-date and in line with all new aspects of food technology and production. For this reason, the reader is advised to check on the most recent legislation as they are likely to be changes in future.

6. Distribution patterns

Non-alcoholic beverage products are imported by local beverage companies, other importers/agents for distribution throughout Singapore. Some major retailers are importing directly from overseas suppliers (some under retailer brand-names) for sale at their stores. Non-alcoholic beverages are distributed to:

- Supermarkets and minimarkets.

- Local neighbourhood grocery stores.
- Convenience stores.
- Petrol station stores.
- Newspaper kiosks.
- Food service outlets, including fast food outlets, cooked food centres, retail bakeries, coffee shops and cafés, drinks kiosks, other restaurants and hotels.
- Drinks vending machines.

Trade sources comment that most consumers purchase their non-alcoholic beverages from supermarkets and grocery stores. US exporters targeting the main supermarket channels should note that most of these businesses now impose listing fees on items such as non-alcoholic beverages and operate category management systems. Under such systems, the performance of a product is closely monitored. If a product's performance fails to satisfy the requirements of the retailer, it will likely be de-listed and removed from the display shelf and replaced by more profitable products.

Fast food outlets and drinks stalls in cooked food centres are also major channels for non-alcoholic drinks. Cafés and alike are also developing in importance as channels. Fast food outlets are commonly tied to centralised purchasing agreements so it is difficult for independent brands to enter these channels. The key challenges in accessing the drinks stalls in cooked food centres and the developing café channels are well entrenched local demand traits and the highly fragmented nature of the target market and its beverage supply chain.

Trade sources comment that there are no special packaging, handling or warehousing requirements affecting non-alcoholic beverages. Most end-buyers unload the products from the original cartons onto the retail shelves. They also added that it is unnecessary to re-pack or re-label products destined for re-export markets in ASEAN.

However, US exporters are advised to research into the import regulations of each ASEAN country they target as import regulations affecting non-alcoholic beverages differ from country to country. They suggested that US exporters should consider arranging transshipment via Singapore if the ASEAN markets demand high volumes. If the re-export markets' demands are low, it would be advisable to break shipment in Singapore before re-exporting the products.

END OF REPORT